(a) whether State Governments have sought Rs. 20,000 crores additional funds from the Centre to tide over the impact of slow down emerging in various industrial sectors in the wake of global downturn and have also ruled out the declared goods status for the aviation turbine fuel citing serious revenue implications;

(b) if so, whether they have already met the Prime Minister in this regard; and

(c) if so, to what extent the Centre has agreed to provide additional funds to the States?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): (a) to (c) The State Governments of Andhra Pradesh, Punjab, Maharashtra, Kerala, Uttarakhand, Goa have written to the Prime Minister/Finance Minister of India for *inter-alia*, provision of additional funds and for the relaxation of borrowing ceilings fixed for 2008-09 under the FRBM Act to tide over the impact of slowdown emerging in the various industrial sectors. A letter was also received from the Empowered Committee of State Finance Ministers requesting the Centre to give special central grant of Rs. 20,000 crore to the States for construction and improvement of infrastructure and also not to give 'Declared Goods' status for aviation turbine fuel whereby the maximum rate of Sales Tax chargeable by the States would get reduced to 4% and would affect their revenue collections.

The Centre has announced two economic stimulus packages to tide over the current economic slowdown. The first stimulus package included a provision of additional plan expenditure of Rs. 20,000 crore in 2008-09. As a part of the Second Stimulus Package the State Governments have been allowed to raise Rs.30,000 crore as additional market borrowings in the current financial year in relaxation of the borrowing ceilings to undertake capital expenditures. The fiscal deficit target of the States have been increased from 3% to 3.5% to enable the States to raise this additional market borrowing without losing the benefits of debt waiver and interest relief under the Debt Consolidation and Relief Facility (DCRF) guidelines. In addition, the requirement for elimination of revenue deficit by 2008-09 to claim benefits of DCRF as per the Twelfth Finance Commission recommendations has also been relaxed.

Regarding the inclusion of ATF in the list of Declared Goods, it has been decided by the Government of India not to proceed with the proposal for the present.

Maintaining financial stability

*75. SHRI MOINUL HASSAN: Will the Minister of FINANCE be pleased to state:

(a) whether attention of Government has been drawn to the recent report of Reserve Bank of India on the trend and progress of banking which points out that there could be some downside risks in certain areas that might impinge on stability in the near future;

(b) if so, the details thereof; and

(c) the steps Government has taken to maintain financial stability in the country in view of the sharp decline of equity markets and intensification of capital outflows leading to tighter international and domestic liquidity?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): (a) and (b) In the Report on Trend and Progress of Banking in India 2007-08 released on 17.12.2008, the Reserve Bank of India (RBI) indicated that while the financial system as a whole is quite robust, there is a need to be aware of certain downside risks in certain areas, which could have a bearing on the stability of the financial system in the near future, such as adverse international developments, moderation in growth and asset prices. The adverse global developments have led to moderation of growth in industrial and services sectors in the first half of 2008-09. On the growth front, it is important to ensure that credit requirements for productive purposes are adequately met so as to support the growth momentum. The Report indicated that the RBI has kept a close vigil on the entire financial system to prevent pressures from building up in the financial markets. This included liquidity enhancing measures to ease liquidity pressures.

(c) In response to the knock-on effects of the evolving global financial crisis on the domestic financial markets, RBI has taken a number of measures since mid-September 2008 to ensure uninterrupted and adequate credit to the productive sectors of the economy. Government of India has also announced two stimulus packages on 7.12.2008 and 2.01.2009. The measures taken by Government and RBI, *inter-alia*, include-

(i) augmenting domestic liquidity through incremental reduction in Cash Reserves Ratio (CRR), Statutory Liquidity Ratio (SLR), Repo Rate, Reverse Repo Rate, etc., issuing advisory to banks to allow drawl of sanctioned working capital limits and term loans, allowing banks to restructure the dues of Small and Medium Enterprises, conducting a special fix rate Repo at 9% per annum against SLR securities to enable banks to meet the liquidity requirements of mutual funds and Non-Banking Finance Companies (NBFC), etc.;

(ii) augmenting forex liquidity through upward revision in interest rate ceiling on FCNR (B) and NR (E) RA deposits, permitting banks to borrow funds from their overseas branches and correspondent banks, special market operation by RBI to meet the forex requirements of public sector oil marketing companies, permitting systemically important non-deposit taking Non-Banking Financial Companies (NBFCs-ND-SI) to raise short-term foreign currency borrowings, etc.

(iii) introducing a refinance facility for shall Industries Development Bank of India (SIDBI), National Housing Bank (NHB) and EXIM Bank for Rs. 7,000 crore, Rs. 4,000 crore and Rs. 5,000 crore respectively, etc.

(iv) Government announced a stimulus package on 07.12.2008. *inter-alia*, providing additional plan expenditure of Rs. 20,000 crore during the current financial year, an across-the-board cut of 4% in the ad-valorem Cenvat, measures to support exports,

such as, interest subvention for pre and post - shipment export credit for labour intensive exports, additional funds of Rs. 1,100 crore to ensure full refund of Terminal Excise duty/Central Sales Tax (CST), additional allocation for export incentive schemes, Government back-up guarantee to Export Credit Guarantee Corporation (ECGC) for export to difficult markets/ products, etc., package for borrowers of home loans of upto Rs. 5 lacs and Rs. 5 to 20 lacs, enhancing guarantee cover under Current Guarantee scheme for MSE sector from Rs. 50 lacs to Rs. 1 crore and upto 50%, authorising IIFCL to raise Rs. 10,000 crore through tax free bonds by 31.03.2009, etc.

(v) On 02.01.2009, Government announced another stimulus package providing, *inter-alia*, additional measures for the economy such as - (a) setting up of a special purpose vehicle (SPV) to provide liquidity support against an investment grade paper to NBFCs-ND-SI. The total support from the Reserve Bank will be limited to Rs.20,000 crore with an option to raise it by a further Rs. 5,000 crore. (b) upward revision of credit targets of Public Sector Banks to reflect the need of the economy, (c) increasing the guarantee cover to micro enterprises by Credit Guarantee Fund Trust from 50% to 85%, (d) allowing State Governments to raise additional market borrowing of 0.5% of their Gross State Domestic Product (GSDP) for capital expenditure, during the current financial year, (e) enabling IIFCL to raise an additional Rs. 30,000 crore by way of tax free bonds and (f) providing assistance to states under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for purchase of buses for their urban transport system.

The detailed notifications/press releases issued by Government and RBI are available at their respective websites www.pib.nic.in and www.rbi.org.in.

FM Broadcasting Services

*76. SHRIMATI VIPLOVE THAKUR: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that Government has, recently, modified Clause 8.3 of policy guidelines on expansion of FM Broadcasting Services through private agencies;

(b) if so, the details thereof along with the reasons therefor; and

(c) the salient features of the modified new policy?

THE MINISTER OF STATE IN THE MINISTRY OF INFORMATION AND BROADCASTING (SHRI ANAND SHARMA): (a) Yes, Sir. Government has modified clause 8.3 of the FM Phase-II Policy Guidelines on expansion of FM Broadcasting Services through Private agencies in September, 2008.

(b) to (c) The Policy was modified with a view to promote the healthy growth of radio business in view of the request of applicant companies seeking change in shareholding pattern